



"Potential restored — Ambition rewarded"

“What do Americans want in their tax system?”

FairTax Background

In 1994 three Houston businessmen met for lunch. As was common, they began commiserating about the ridiculousness of the federal income tax system. But at this particular lunch, they decided to do something about it. Each of them pledged \$1.5 million as seed money to hire the best tax experts in America to identify the faults with the current federal tax system, to determine what American citizens would like to see in tax reform, and then to design the best system of taxation. With their initial infusion of \$4.5 million, these three men raised an additional \$17 million. That money funded focus groups with citizens around the country as well as studies done by nationally prominent experts in tax policy. The market research also included telephone surveys, targeted advertising, and measurement of website hits from that advertising. The research was extensive and distinguishes the FairTax from every other tax reform proposal ever put forward. The FairTax is a thoroughly and professionally researched response to the question: **"What do the American people want in their tax system?"**

The tax policy experts hired to research and develop the FairTax include:

- Professors David Burton and Dan Mastromarco, University of Maryland and The Argus Group
- Professor Larry Kotlikoff, Boston University
- Stephen Moore, The Cato Institute
- Professor Dale Jorgenson, Harvard University
- Bill Beach, The Heritage Foundation
- Jim Poterba, The National Bureau of Economic Research
- Professor George Zodrow, Rice University and the Baker Institute for Public Policy
- Professor Joseph Kahn, Massachusetts Institute of Technology

The final result was a bi-partisan bill sponsored by Rep. John Linder (R-GA) and Rep. Collin Peterson (D-MN). Originally submitted to the House of Representatives as HR 2525, “The Fair Tax of 1999,” it was resubmitted in the 111th Congress in January 2009 as HR 25, “The Fair Tax Act of 2009.” In January of 2006 an additional \$2 million was spent in research to make sure the FairTax was still the best tax replacement solution for our nation's current economic situation. The results showed that it is! These studies make the FairTax the most well-researched tax plan ever presented to Congress.

For the federal government to take such a significant step as to eliminate the income tax code in favor of a national consumption (sales) tax will require evidence of overwhelming support from the American people. Therefore, Americans for Fair Taxation was established and is currently developing organizations in each of the states to educate people and encourage their support of the FairTax. Since it was founded in 1995, Americans for Fair Taxation has grown to become the largest tax reform organization in the United States with over 300,000 registered supporters and members. The real number of American supporters can't be measured except by the growing number of congressional co-sponsors which is currently the largest number ever achieved by any tax reform legislation.

Discussions with focus groups of Americans showed that citizens want a tax system that provides

fairness, simplicity, and visibility. The FairTax achieves these objectives through equal taxation at one rate for everyone with the tax rate prominently displayed on every cash register receipt.

FairTax Plan

The FairTax replaces the income tax system with a simple 23% inclusive (30% exclusive) consumption tax on all services and new goods – no tax on used goods. It provides a monthly rebate to every household to pay the tax on basic necessities based solely on the number of people in a household.

The FairTax produces the following results and benefits:

- It ends all federal personal and corporate income taxes and filings
- It eliminates tax loopholes and lobbyists – no exemptions, deductions or special interest groups
- It broadens the tax base: all citizens, illegal aliens, and visitors (50 million/year) pay the FairTax
- It lets every employee keep his/her entire pay check – no payroll or income tax withholding
- It enables those at or below the poverty level to have zero or negative taxes
- It lets retirees keep their full pension and Social Security checks – untaxed
- It lets everyone keep their capital gains and investment income – untaxed
- It encourages savings and investment – creating greater national growth, jobs and productivity
- It considers education an investment – tuition at all levels is not taxed
- It eliminates gift and inheritance taxes, and the Alternative Minimum Tax
- It encourages return of wealth invested in foreign tax havens – providing much needed capital to fuel the growth of America's economy
- It stimulates exporting – leading to greater U.S. employment
- It discourages importing – imports are taxed the same as domestically produced goods
- It stimulates economic growth through the proven free-enterprise system
- It makes the federal tax rate very visible, and therefore, politically risky to increase
- It frees nearly \$300 billion spent each year to comply with current income tax regulations
- It eliminates the IRS, freeing \$10 billion, and lowers the cost of enforcement
- It allows the federal government to raise the same amount of revenue as it does now
- It repeals the 16th Amendment through companion legislation, forbidding taxation of income

Additional Information

INTERNET

Americans for Fair Taxation web site – FairTax.org

Congressman Linder's FairTax web site – linderfairtax.house.gov

Details on the FairTax bill (HR 25) – thomas.loc.gov/ and enter “Fair Tax” in the Search box

National network of FairTax supporters – FairTaxNation.com

Pennsylvanians for the FairTax – PaFairTax.org

BOOKS

The FairTax Book, by Neal Boortz and Rep. John Linder, 2005, 224 pages

FairTax: The Truth, by Neal Boortz and Rep. John Linder, 2008, 272 pages

FairTax Solution, by Ken Hoagland, 2010, 160 pages (available March 2010)

Next Step – Get Involved

Become a FairTax supporter: Visit FairTax.org and click on the TakeAction! menu button,
Also sign up at FairTaxNation.com

QUESTIONS? Contact Dave Dayton, FairTax State Director for Pennsylvania (volunteer) at 724-748-5868 (day), 724-458-9215 (evening) or ddayton@pafairtax.org